

Message Text

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PAGE 01 STATE 007728

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INFO OCT-01 ISO-00 /011 R

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DRAFTED BY: NEA/ARP:FMDICKMAN:CEJ

APPROVED BY: NEA/ARP:FMDICKMAN

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P 132257Z JAN 76

FM SECSTATE WASHDC

TO USMTM DHAHRAN

C O N F I D E N T I A L STATE 007728

FOLLOWING REPEAT STATE 007728 130117Z JAN 6 ACTION JIDDA
13 JAN

QUOTE

C O N F I D E N T I A L STATE 007728

E.O. 11652: GDS

TAGS: MARR, MASS, SA, US

SUBJECT: AGENTS' FEES FOR PEACE HAWK V PROGRAM

FOR CHARGE

1. AT EARLIEST OPPORTUNITY, YOU SHOULD SEEK AN APPOINTMENT WITH PRINCE SULTAN AND STATE THAT YOU HAVE BEEN INSTRUCTED TO DELIVER TO HIM FOLLOWING CONFIDENTIAL LETTER FROM LTG. FISH WHICH SEEKS SAG GUIDANCE REGARDING TRIAD'S CLAIM THAT IT IS ENTITLED TO AN AGENT'S FEE FOR THE PEACE HAWK V PROGRAM. YOU SHOULD TELL PRINCE SULTAN THAT ONCE HE HAS HAD AN OPPORTUNITY TO STUDY LETTER, EMBASSY WILL BE HAPPY TO TRANSMIT HIS RESPONSE.

2. FOLLOWING IS TEXT OF LETTER: YOUR ROYAL HIGHNESS:
THE LETTER OF OFFER AND ACCEPTANCE FOR THE PEACE HAWK V
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PROGRAM RECENTLY WAS PRESENTED TO THE SAUDI AIR FORCE. IT

INCLUDES A CLAUSE STATING (IN EFFECT) THAT NO AGENT'S FEES WILL BE ALLOWED FOR THE PEACE HAWK V PROGRAM UNLESS SUCH AGENT'S FEE/COMMISSION HAS BEEN IDENTIFIED AND PAYMENT THEREOF APPROVED IN WRITING BY THE GOVERNMENT OF SAUDI ARABIA BEFORE CONTRACT AWARD. THERE ARE NO FUNDS NOW INCLUDED, IN THE ESTIMATED COSTS SHOWN IN THE LETTER OF OFFER, FOR PAYMENT OF ANY AGENT'S FEES FOR THE PROGRAM.

ON MARCH 6, 1975, ASSISTANT SECRETARY OF DEFENSE ELLSWORTH ADVISED YOU OF THE EXISTENCE OF AN AGENCY AGREEMENT BETWEEN THE NORTHROP CORPORATION AND THE TRIAD FINANCIAL ESTABLISHMENT. THIS LETTER WAS ASSOCIATED WITH AN EARLIER PROPOSAL FOR THE PEACE HAWK V PROGRAM. YOUR RESPONSE DATED MAY 17, 1975, STATED YOUR "NON-ACCEPTANCE OF ANY MIDDLEMAN ... IN ANY ARMS CONTRACT BETWEEN THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA." THIS WAS FOLLOWED BY PUBLICATION OF DECREE NO. 1275 OF THE COUNCIL OF MINISTERS OF SAUDI ARABIA DATED SEPTEMBER 17, 1975. ACCORDINGLY, THE UNITED STATES GOVERNMENT TOOK APPROPRIATE ACTION TO COMPLY WITH ITS UNDERSTANDING OF THOSE DESIRES.

NOTWITHSTANDING, THE TRIAD FINANCIAL ESTABLISHMENT NOW HAS PROVIDED ITS FIRM VIEW THAT THE PEACE HAWK V PROPOSAL IS NOT SUBJECT TO THE LIMITATIONS PROVIDED IN THE COUNCIL OF MINISTERS DECREE, AND HAS REQUESTED THE NORTHROP CORPORATION TO MAKE PROVISION FOR PAYMENT OF AN AGENT'S FEE TO TRIAD UNDER TERMS OF THE AGENCY AGREEMENT. THE PRIMARY BASIS FOR THIS REQUEST BY TRIAD IS ITS INTERPRETATION OF AN INTERVIEW, PURPORTEDLY GIVEN BY HIS ROYAL HIGHNESS PRINCE FAHD BIN ABDUL AZIZ, WHICH WAS PUBLISHED IN THE LEBANESE NEWSPAPER AL ANWAR ON NOVEMBER 28, 1975.

CONSEQUENTLY, THE NORTHROP CORPORATION HAS IDENTIFIED A POTENTIAL AGENT'S FEE OF APPROXIMATELY DOLS 77 MILLION FOR THE PEACE HAWK V PROGRAM, AND WE ARE IDENTIFYING THIS FEE TO YOU IN ACCORDANCE WITH PARAGRAPH 20 OF THE TERMS AND CONDITIONS APPENDED TO THE PEACE HAWK V LETTER
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OF OFFER. THE DEPARTMENT OF DEFENSE, AS THE ADMINISTRATOR OF THE PROGRAM, IS NOT IN A POSITION TO ASSESS THE APPROPRIATENESS OF THIS FEE AND REQUIRES YOUR GUIDANCE.

WE HAVE RE-EXAMINED THE COUNCIL OF MINISTERS DECREE AND NOTE THAT IT MENTIONS ONLY "ARMS AND EQUIPMENT" CONTRACTS. WE THEREFORE BELIEVE THAT IT IS IN OUR MUTUAL BEST INTERESTS TO CLARIFY THE MATTER OF "SERVICES"

CONTRACTS. WE WOULD APPRECIATE IT IF YOU WILL PROVIDE
THE SAUDI GOVERNMENT POSITION REGARDING INCLUSION OF AN
AGENT'S FEE IN CONTRACTS AWARDED FOR THE PEACE HAWK V
PROGRAM. SINCERELY, LTG. H.M. FISH, DIRECTOR, DEFENSE
SECURITY ASSISTANCE AGENCY. KISSINGER UNQUOTE KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WAGES, SALES, DIPLOMATIC COMMUNICATIONS, MISSILES
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE007728
Document Source: CORE
Document Unique ID: 00
Drafter: NEA/ARP:FMDICKMAN:CEJ
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760012-1045
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760162/aaaaccps.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2004 by ElyME>; APPROVED <03 NOV 2004 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AGENTS' FEES FOR PEACE HAWK V PROGRAM FOR CHARGE
TAGS: MARR, MASS, SA, US, TRIAD, (FISH, H M)
To: USMTM DHAHRAN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006